Insurgency and economic slowdown: will the U.S. help rescue the Philippines?

by Ramtanu Maitra

When President Ferdinand Marcos of the Philippines arrives in the United States Sept. 15, his discussions with President Reagan are expected to focus on economic questions. The IMF and World Bank are determined to keep the Philippines a relatively backward, commodity-exporting nation, by imposing a massive drain on the national exchecquer for debt-service payments as a condition for the designation, "credit-worthy." One year ago at the Cancún North-South summit, President Marcos spoke out for a "new world economic order," and denounced the "conditionalities" of these supranational monetary institutions.

The Philippines' high rate of unemployment, large foreign debt, and depressed commodity-export sector are a result of the usurious interest-rate policy of the U.S. Federal Reserve, and the world recession that policy has induced. The Marcos government, which has already introduced a set of austere monetary measures under pressure from the International Monetary Fund and World Bank, is now under additional IMF pressure for cutbacks in public investment and subsidies; if adopted, these measures would further constrict the economy and result in political turmoil.

Marcos's opponents, in fact, have begun a concerted effort to destabilize his government in time for his visit to Washington, evidently hoping to discredit his rule in the eyes of the U.S. President. A plot unearthed by Philippine military intelligence in early August involved plans for general labor strikes, bombings of public buildings, and assassinations of senior government officials. It is the first serious plot against the Marcos government since the eight-year martial law was lifted a year and a half ago.

Economic ills

The Philippines' economy is largely based on commodity exports, including garments and electronics. The electronics industry has continued to grow—alone among export industries—but at a much slower rate than was expected before the U.S. Federal Reserve's world recession. Twenty-five percent of the country's entire export trade is with the United States, slightly more than with Japan. It therefore came as a severe blow when the United States began to cut back on imports of garments, causing a 27 percent drop in overall trade and high unemployment in the Filipino garment industry.

Although government officials place unemployment at 10 percent nationwide—15 percent in Metro Manila—unofficial estimates now give a much higher figure.

IMF 'conditionalities'

High U.S. interest rates and the decline in the country's foreign-exchange earnings have fueled a rapid rise in the nation's foreign debt, which at the end of 1981 stood at U.S.$11 billion. When one includes the private-sector debt, close to U.S.$5 billion, the nation's ratio of debt service to foreign-exchange earnings stands at an all-time high of 19.2 percent.

Over the years, the Marcos government has made an effort to broaden the country's economic base by developing a manufacturing sector. In January 1981, when a Filipino businessman of Chinese extraction, Dewey Dee, vanished, leaving behind U.S.$100 million in unpaid debts, most of it held by private investment houses, a chain reaction of investment-house bankruptcies caused Philippines banks to tighten the loan market severely, causing many small and medium-size businesses to collapse. Even some larger firms—the Silverio Group, Sorianos, Mariandique Mining Company, the Bancom Group, the Cuenca Group, and the Disini Group—had to severely curtail operations. Although government intervention helped to save many threatened companies, the outcome of the affair was generally depressed conditions and widespread unemployment. Then, in September 1981, Marcos pushed the National Assembly into enacting a bill for U.S.$4 billion worth of priority infrastructural projects including highways, telecommunications, irrigation works, airports and air navigation, flood control, and drainage.

But in April 1982, the IMF published a report attacking Marcos's infrastructural projects, suggesting: "In the Philippines situation, restraint on public investment could be an effective instrument for securing an improvement in the current account deficit." Jacques Delarosière, IMF Managing Director, conveyed to Philippine Prime Minister Caesar Virata the view that the country has set itself "unrealistic growth targets."

For its part, the World Bank prepared a report for the World Bank-IMF Consultative Group for the Philippines, which met in Tokyo on June 29-30. That report urged the Marcos government to cut-off subsidies to insolvent domestic industries. "For the past two years," the report stated, "Manila has pumped more than U.S.$2 billion as equity into 33 government banks and corporations. That was nearly 40 percent of their capital investment. Self-financing accounted for a mere 4 percent."

The Philippines debt has been fueled by high interest rates in the United States, while the IMF has stifled efforts to broaden the country's industrial base. Unemployment and unrest are feeding an effort to overthrow President Marcos on behalf of still more grinding austerity policies. 'What would Douglas MacArthur say,' President Reagan should ask himself during the Marcos visit to Washington.

The World Bank also charged the government with keeping fees for water and power usage too low.

The World Bank is demanding that the government invest heavily in oil-import substitution, and as in the case of Tanzania, has insisted that the doors be opened to the private multinationals as collateral for World Bank "oil-development" money. The Marcos government has already loosened the requirement that a contractor drill three wells within two years; granted accelerated depreciation; lowered effective interest rates on government loans; granted longer periods for delineating the extent of discoveries; and even allowed companies to recover from successful wells the costs of unsuccessful drilling.

Although the agenda of President Marcos's discussions with President Reagan has not been made public, it is not difficult to guess. Marcos has repeatedly voiced his indignation over World Bank and IMF policies. In addition, there are the matters of the discretionary quota system enforced by the United States against imports of Philippines garments, and additional U.S. Eximbank financing for the contested Westinghouse-contracted Bataan nuclear power plant.

Opposition violence

The seriousness of the recently uncovered opposition plot against the Marcos government is probably not exaggerated. In April, subsequent to the arrest of one Horacio Morales, a "businessman" who went underground to become a Maoist guerrilla leader, military intelligence unearthed extensive ties between Maoist guerrillas and certain leaders of labor, student unions, churches, and businesses, as well as sections of the country's intelligentsia.

Morales had been involved in the purchase and smuggling of arms from Syria and Lebanon, including AK-47 and Makharov firearms loaded in South Yemen and brought in on fishing boats for delivery to rebel-infested southern islands. From time to time, the Philippines army has seized large caches of arms on boats bound for the port of Mindanao Island, where Muslim rebels have sought secession for more than a decade, with support and financing from the British-controlled "Islamic fundamentalist" elements of the Middle East.

The British Broadcasting Company (BBC)—which did so much to bring the Ayatollah Khomeini to power in Iran—on Aug. 8 broadcast an inflammatory interview with two Filipino political figures attacking President Marcos as a tyrant. The two men, Tanada and Diokno, had both been involved in inciting the Kalingo-Apayo tribes to attack and terrorize personnel engaged in construction of hydroelectric dams at Chico, intended to supply energy to the power-starved Upper Luzon. Tanada's son, among others, has been named for plotting bombing attacks on downtown Metro Manila in collaboration with anti-Marcos terrorists operating from the United States—none of this reported by the BBC.

The opposition has also been organizing labor strikes all over the Philippines. The government has passed a law requiring striking workers to return to their jobs and place disputes under binding arbitration when industries deemed essential to national security are affected.

Also involved in anti-Marcos activities is the radical "liberation theology" faction of the Roman Catholic Church, which is very powerful in the Philippines. The head of the Church, Cardinal Sin, is a vocal critic of President Marcos. The Cardinal admitted this past July that some radical priests have abandoned their parishes and gone underground to join the Maoist guerrillas. Again, there is a foreign connection: last year, Marcos ordered two American priests to leave the islands when their involvement in rebel activities came to light.